

Fill in this information to identify your case:

United States Bankruptcy Court for the:

DISTRICT OF NEVADA

Case number (if known)

Chapter

11

☐ Check if this an amended filing

Official Form 201

Voluntary Petition for Non-Individuals Filing for Bankruptcy

04/20

If more space is needed, attach a separate sheet to this form. On the top of any additional pages, write the debtor's name and the case number (if known). For more information, a separate document, *Instructions for Bankruptcy Forms for Non-Individuals*, is available.

1. Debtor's name	Fortem Resources, Inc.	
2. All other names debtor used in the last 8 years <small>Include any assumed names, trade names and doing business as names</small>	FKA Strongbow Resources, Inc. Big Lake Energy Ltd.	
3. Debtor's federal Employer Identification Number (EIN)	20-4119257	
4. Debtor's address	Principal place of business 777 N. Rainbow, Suite 250 Las Vegas, NV 89107 <small>Number, Street, City, State & ZIP Code</small> Clark <small>County</small>	Mailing address, if different from principal place of business 906 12th Avenue SW, Suite 820 Calgary, AB T2R 1K7 Canada <small>P.O. Box, Number, Street, City, State & ZIP Code</small> Location of principal assets, if different from principal place of business <small>Number, Street, City, State & ZIP Code</small>
5. Debtor's website (URL)	www.fortemresources.com	
6. Type of debtor	<input checked="" type="checkbox"/> Corporation (including Limited Liability Company (LLC) and Limited Liability Partnership (LLP)) <input type="checkbox"/> Partnership (excluding LLP) <input type="checkbox"/> Other. Specify:	



7. Describe debtor's business A. Check one:

- ☐ Health Care Business (as defined in 11 U.S.C. § 101(27A))
☐ Single Asset Real Estate (as defined in 11 U.S.C. § 101(51B))
☐ Railroad (as defined in 11 U.S.C. § 101(44))
☐ Stockbroker (as defined in 11 U.S.C. § 101(53A))
☐ Commodity Broker (as defined in 11 U.S.C. § 101(6))
☐ Clearing Bank (as defined in 11 U.S.C. § 781(3))
☒ None of the above

B. Check all that apply

- ☐ Tax-exempt entity (as described in 26 U.S.C. §501)
☐ Investment company, including hedge fund or pooled investment vehicle (as defined in 15 U.S.C. §80a-3)
☐ Investment advisor (as defined in 15 U.S.C. §80b-2(a)(11))

C. NAICS (North American Industry Classification System) 4-digit code that best describes debtor.
See <http://www.uscourts.gov/four-digit-national-association-naics-codes>.

1382

8. Under which chapter of the Bankruptcy Code is the debtor filing? Check one:

- ☐ Chapter 7
☐ Chapter 9

☒ Chapter 11. Check all that apply:

A debtor who is a "small business debtor" must check the first sub-box. A debtor as defined in § 1182(1) who elects to proceed under subchapter V of chapter 11 (whether or not the debtor is a "small business debtor") must check the second sub-box.

- ☐ The debtor is a small business debtor as defined in 11 U.S.C. § 101(51D), and its aggregate noncontingent liquidated debts (excluding debts owed to insiders or affiliates) are less than \$2,725,625. If this sub-box is selected, attach the most recent balance sheet, statement of operations, cash-flow statement, and federal income tax return or if any of these documents do not exist, follow the procedure in 11 U.S.C. § 1116(1)(B).
☒ The debtor is a debtor as defined in 11 U.S.C. § 1182(1), its aggregate noncontingent liquidated debts (excluding debts owed to insiders or affiliates) are less than \$7,500,000, **and it chooses to proceed under Subchapter V of Chapter 11.** If this sub-box is selected, attach the most recent balance sheet, statement of operations, cash-flow statement, and federal income tax return, or if any of these documents do not exist, follow the procedure in 11 U.S.C. § 1116(1)(B).
☐ A plan is being filed with this petition.
☐ Acceptances of the plan were solicited prepetition from one or more classes of creditors, in accordance with 11 U.S.C. § 1126(b).
☐ The debtor is required to file periodic reports (for example, 10K and 10Q) with the Securities and Exchange Commission according to § 13 or 15(d) of the Securities Exchange Act of 1934. File the *Attachment to Voluntary Petition for Non-Individuals Filing for Bankruptcy under Chapter 11* (Official Form 201A) with this form.
☐ The debtor is a shell company as defined in the Securities Exchange Act of 1934 Rule 12b-2.

☐ Chapter 12

9. Were prior bankruptcy cases filed by or against the debtor within the last 8 years?

- ☒ No.
☐ Yes.

If more than 2 cases, attach a separate list.

District _____
District _____

When _____
When _____

Case number _____
Case number _____



10. Are any bankruptcy cases pending or being filed by a business partner or an affiliate of the debtor? ☒ No ☐ Yes.

List all cases. If more than 1, attach a separate list

Debtor Relationship
 District When Case number, if known

11. Why is the case filed in this district? Check all that apply:

- ☒ Debtor has had its domicile, principal place of business, or principal assets in this district for 180 days immediately preceding the date of this petition or for a longer part of such 180 days than in any other district.
☐ A bankruptcy case concerning debtor's affiliate, general partner, or partnership is pending in this district.

12. Does the debtor own or have possession of any real property or personal property that needs immediate attention? ☒ No ☐ Yes.

Answer below for each property that needs immediate attention. Attach additional sheets if needed.

Why does the property need immediate attention? (Check all that apply.)

- ☐ It poses or is alleged to pose a threat of imminent and identifiable hazard to public health or safety.
 What is the hazard? _____
☐ It needs to be physically secured or protected from the weather.
☐ It includes perishable goods or assets that could quickly deteriorate or lose value without attention (for example, livestock, seasonal goods, meat, dairy, produce, or securities-related assets or other options).
☐ Other _____

Where is the property?

Number, Street, City, State & ZIP Code

Is the property insured?

- ☐ No
☐ Yes. Insurance agency _____
 Contact name _____
 Phone _____

Statistical and administrative information

13. Debtor's estimation of available funds Check one:

- ☒ Funds will be available for distribution to unsecured creditors.
☐ After any administrative expenses are paid, no funds will be available to unsecured creditors.

14. Estimated number of creditors ☒ 1-49 ☐ 1,000-5,000 ☐ 25,001-50,000
☐ 50-99 ☐ 5001-10,000 ☐ 50,001-100,000
☐ 100-199 ☐ 10,001-25,000 ☐ More than 100,000
☐ 200-999

15. Estimated Assets ☐ \$0 - \$50,000 ☒ \$1,000,001 - \$10 million ☐ \$500,000,001 - \$1 billion
☐ \$50,001 - \$100,000 ☐ \$10,000,001 - \$50 million ☐ \$1,000,000,001 - \$10 billion
☐ \$100,001 - \$500,000 ☐ \$50,000,001 - \$100 million ☐ \$10,000,000,001 - \$50 billion
☐ \$500,001 - \$1 million ☐ \$100,000,001 - \$500 million ☐ More than \$50 billion

16. Estimated liabilities ☐ \$0 - \$50,000 ☒ \$1,000,001 - \$10 million ☐ \$500,000,001 - \$1 billion

Debtor
Name
Fortem Resources, Inc.

Case number (if known)

- ☐ \$50,001 - \$100,000
- ☐ \$100,001 - \$500,000
- ☐ \$500,001 - \$1 million

- ☐ \$10,000,001 - \$50 million
- ☐ \$50,000,001 - \$100 million
- ☐ \$100,000,001 - \$500 million

- ☐ \$1,000,000,001 - \$10 billion
- ☐ \$10,000,000,001 - \$50 billion
- ☐ More than \$50 billion



Request for Relief, Declaration, and Signatures

WARNING -- Bankruptcy fraud is a serious crime. Making a false statement in connection with a bankruptcy case can result in fines up to \$500,000 or imprisonment for up to 20 years, or both. 18 U.S.C. §§ 152, 1341, 1519, and 3571.

**17. Declaration and signature
of authorized
representative of debtor**

The debtor requests relief in accordance with the chapter of title 11, United States Code, specified in this petition.

I have been authorized to file this petition on behalf of the debtor.

I have examined the information in this petition and have a reasonable belief that the information is true and correct.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on October 5, 2021
MM / DD / YYYY

X

Signature of authorized representative of debtor

Marc A. Bruner

Printed name

Title Chief Executive Officer

Marc A. Bruner

18. Signature of attorney

X

/s/Brett A. Axelrod

Date October 5, 2021

MM / DD / YYYY

Signature of attorney for debtor

Brett A. Axelrod 5859

Printed name

Fox Rothschild LLP

Firm name

1980 Festival Plaza Drive, Suite 700

Las Vegas, NV 89135

Number, Street, City, State & ZIP Code

Contact phone (702) 262-6899

Email address baxelrod@foxrothschild.com

5859 NV

Bar number and State

FORTEM RESOURCES INC.

ACTION BY UNANIMOUS WRITTEN CONSENT OF THE DIRECTORS

IT IS RESOLVED that in the judgment of the Directors, it is desirable and in the best interests of FORTEM RESOURCES INC., a Nevada corporation (the "Company"), that the Company commence a chapter 11 case (the "Chapter 11 Case") by filing a voluntary petition for relief under the provisions of chapter 11 of title 11, of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Nevada (the "Bankruptcy Court"); and it is

FURTHER RESOLVED that the Directors of the Company or any other duly authorized officer or officers (the "Proper Officers") of the Company are hereby authorized and empowered to execute and verify or certify on behalf of, and in the name of, the Company, a voluntary petition for relief under chapter 11 of the Bankruptcy Code and to cause appropriate documents to be filed in the United States Bankruptcy Court for the District of Nevada, and any affidavits, forms, schedules, lists, applications or any other pleadings or documents which are necessary or appropriate to file the voluntary petition; and it is

FURTHER RESOLVED that the Proper Officers of the Company be, and they hereby are, authorized and empowered to execute on behalf of, and in the name of, the Company any and all plans of reorganization under chapter 11 of the Bankruptcy Code, including any and all modifications, supplements, and amendments thereto, and to cause the same to be filed in the United States Bankruptcy Court for the District of Nevada at such time as said authorized officer executing the same shall determine; and it is

FURTHER RESOLVED that in connection with the commencement of the chapter 11 case by the Company, the Proper Officers of the Company be and hereby are, authorized and empowered on behalf of, and in the name of, the Company to execute and file all first-day pleadings and related documents on such terms and conditions as such officer or officers executing the same may consider necessary, proper or desirable, such determination to be conclusively evidenced by such execution or the taking of such action, and to consummate the transactions contemplated by such agreements or instruments on behalf of the Company; and it is

FURTHER RESOLVED that the law firm of Fox Rothschild, LLP, is hereby employed as general bankruptcy counsel for the Company upon such terms and conditions as the Proper Officers shall approve, to render legal services to, and to represent, the Company in connection with the chapter 11 case, subject to Bankruptcy Court approval, and in connection therewith, the Proper Officers of the Company are hereby authorized and directed to execute appropriate retention agreements and pay appropriate retainers prior to and immediately upon the filing of the chapter 11 case and cause to be filed with the Bankruptcy Court an appropriate application for authority to retain the services of such firm; and it is

FURTHER RESOLVED that the Proper Officers of the Company are hereby authorized to employ and retain on behalf of the Company such other professionals as they

deem necessary or appropriate upon such terms and conditions as the Proper Officers shall approve, to provide services to the Company as may be requested by the Proper Officers of the Company in connection with the chapter 11 case and with respect to other related matters, with a view to the successful prosecution of such case; and it is

FURTHER RESOLVED that the Proper Officers of the Company be, and they hereby are, authorized and empowered to obtain post-petition financing according to terms negotiated, or to be negotiated, by management of the Company, including under debtor-in-possession credit facilities or relating to the use of cash collateral, and to enter into any guarantees and to pledge or grant liens on its assets as may be contemplated by or required under the terms of such post-petition financing or cash collateral agreements, and in connection therewith, such affairs of the Company, are hereby authorized and directed to execute appropriate loan agreements, cash collateral agreements, and related ancillary documents; and it is

FURTHER RESOLVED that the Proper Officers of the Company are authorized and directed to take any and all further action, and to execute and deliver in the name of, and on behalf of, the Company, any and all such other and further instruments and documents and to pay all such expenses (subject to Bankruptcy Court approval), where necessary or appropriate in order to carry out the full intent and accomplish the purposes of the resolutions adopted herein; and it is

FURTHER RESOLVED that all acts lawfully done or actions lawfully taken by the Proper Officers or the Directors of the Company to file the voluntary petition for relief under chapter 11 of the Bankruptcy Code or in any other connection with the chapter 11 case of the Company, or any matter related thereto, or by virtue of these resolutions be, and hereby are, in all respects ratified, confirmed, and approved.

[THE REMAINDER OF THIS PAGE HAS INTENTIONALLY BEEN LEFT BLANK.
SIGNATURE PAGE TO FOLLOW.]

IN WITNESS WHEREOF, the undersigned has signed this Written Consent as of this 2nd day of October 2021.

**FORTEM RESOURCES INC.,
a Nevada corporation**

By:

N *Marc Bruner*
Title: Director

N *Konstantine Vatskalis*
Title: Director



CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MAY 31, 2020

CONSOLIDATED CONDENSED INTERIM BALANCE SHEETS

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF OPERATIONS

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CASH FLOWS

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF STOCKHOLDERS' EQUITY

NOTES TO CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FORTEM RESOURCES INC.
CONSOLIDATED CONDENSED INTERIM BALANCE SHEETS
(Expressed in US dollars - unaudited)

	<u>May 31, 2020</u>	<u>February 29, 2020</u>
	\$	\$
<u>ASSETS</u>		
Current assets		
Cash	18,904	13,022
Receivables	25,170	18,925
Prepaid expenses and deposit	9,635	20,514
Due from related parties (Note 7)	21,419	48,392
Total current assets	<u>75,128</u>	<u>100,853</u>
Deposit (Note 5)	42,514	43,517
Equipment (Note 4)	46,635	47,526
Right to the acquisition of mineral exploration project (Note 3)	1	1
Oil and gas properties, full cost method (Note 5)	<u>77,018,553</u>	<u>76,935,275</u>
Total assets	<u><u>77,182,831</u></u>	<u><u>77,127,172</u></u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	1,837,533	1,684,901
Due to related parties (Note 7)	159,305	113,094
Related party loan payable (Note 7)	57,261	57,261
Notes payable (Note 8)	<u>1,996,651</u>	<u>1,466,289</u>
Total current liabilities	<u>4,050,750</u>	<u>3,321,545</u>
Long term notes payable (Note 9)	112,683	532,319
Asset retirement obligation (Note 10)	32,255	32,310
Deferred tax liabilities (Notes 5)	<u>16,215,677</u>	<u>16,215,677</u>
Total liabilities	<u>20,411,365</u>	<u>20,101,851</u>
Stockholders' equity		
Share capital (Note 11)		
Authorized:		
750,000,000 common shares, par value \$0.001 per share		
Issued and outstanding:		
122,571,156 common shares (122,571,156 at February 29, 2020)	122,570	122,570
Additional paid in capital	160,719,464	160,719,464
Obligation to issue shares (Note 5)	3,600,000	3,600,000
Accumulated other comprehensive loss	(383,257)	(383,257)
Accumulated deficit	<u>(107,287,311)</u>	<u>(107,033,456)</u>
Total stockholders' equity	<u>56,771,466</u>	<u>57,025,321</u>
Total stockholders' equity and liabilities	<u><u>77,182,831</u></u>	<u><u>77,127,172</u></u>

Nature and Continuance of Operations (Note 1)

The accompanying notes are an integral part of these consolidated condensed interim financial statements

FORTEM RESOURCES INC.**CONSOLIDATED CONDENSED INTERIM STATEMENTS OF OPERATIONS****(Expressed in US dollars - unaudited)**

	For the three months ended May 31,	
	2020	2019
	\$	\$
General and administrative expenses		
Accretion of asset retirement obligation (Note 10)	776	736
Consulting	-	17,885
Depreciation (Note 4)	891	891
Investor relations	6,406	2,830
Management fees	30,000	90,000
Office, travel and general	68,628	225,930
Professional fees	97,716	113,607
Loss from operations	(204,417)	(451,879)
Foreign exchange gain	39,752	1,250
Gain on settlement of debt (Note 6)	-	27,227
Interest income	130	212
Interest expense	(89,320)	(53,119)
	(49,438)	(24,430)
Loss and comprehensive loss for the period	(253,855)	(476,309)
Basic and diluted loss per share	(0.00)	(0.00)
Weighted average number of basic and diluted common shares outstanding	122,571,156	122,538,547

The accompanying notes are an integral part of these consolidated condensed interim financial statements

FORTEM RESOURCES INC.**CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CASH FLOWS****(Expressed in US dollars - Unaudited)**

	For the three months ended May 31,	
	2020	2019
	\$	\$
Cash flows used in operating activities		
Loss for the period	(253,855)	(476,309)
Non-cash items		
Accretion of asset retirement obligation	776	736
Depreciation	891	891
Gain on settlement of debt	-	(27,227)
Interest income accrued	(130)	212
Interest expense	89,320	53,119
Accrued management fees and expenses	65,485	30,000
Unrealized foreign exchange	(6,524)	614
Changes in non-cash working capital items		
Receivable	(6,245)	1,256
Prepaid expenses and deposit	10,879	(12,302)
Accounts payable and accrued liabilities	40,848	(15,322)
Cash used in operating activities	<u>(58,555)</u>	<u>(444,332)</u>
Cash flows used in investing activities		
Expenditures on oil and gas properties	(13,262)	(109,933)
Deferred acquisition costs	-	(74,951)
Cash used in investing activities	<u>(13,262)</u>	<u>(184,884)</u>
Cash flows from financing activities		
Proceeds from warrants exercised, net of issuance costs	-	186,000
Notes payable	70,000	560,000
Net proceeds from (repaid to) related parties	7,699	(88,089)
Cash provided by financing activities	<u>77,699</u>	<u>657,911</u>
Change in cash	5,882	28,695
Cash, beginning of period	<u>13,022</u>	<u>35,171</u>
Cash, end of period	<u><u>18,904</u></u>	<u><u>63,866</u></u>
Non-cash transactions		
Oil and gas properties expenditures in accounts payable	1,261,526	326,085

The accompanying notes are an integral part of these consolidated condensed interim financial statements

FORTEM RESOURCES INC.**CONSOLIDATED CONDENSED INTERIM STATEMENTS OF STOCKHOLDERS' EQUITY****(Expressed in US dollars - Unaudited)****Three months ended May 31, 2020**

	Share Capital		Additional Paid In Capital	Obligation To Issue Shares	Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Number of Shares	Amount					
	\$	\$					
Balance, February 29, 2020	122,571,156	122,570	160,719,464	3,600,000	(107,033,456)	(383,257)	57,025,321
Loss for the period	-	-	-	-	(253,855)	-	(253,855)
Balance, May 31, 2020	122,571,156	122,570	160,719,464	3,600,000	(107,287,311)	(383,257)	56,771,466

Three months ended May 31, 2019

	Share Capital		Additional Paid In Capital	Obligation To Issue Shares	Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Number of Shares	Amount					
	\$	\$					
Balance, February 28, 2019	122,071,156	122,070	160,533,964	3,600,000	(39,072,069)	(383,257)	124,800,708
Warrants exercised	500,000	500	199,500	-	-	-	200,000
Share issue costs	-	-	(14,000)	-	-	-	(14,000)
Loss for the period	-	-	-	-	(476,309)	-	(476,309)
Balance, May 31, 2019	122,571,156	122,570	160,719,464	3,600,000	(39,548,378)	(383,257)	124,510,399

The accompanying notes are an integral part of these consolidated condensed interim financial statements

FORTEM RESOURCES INC.**NOTES TO CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS****For the three months ended May 31, 2020****(Expressed in US dollars - unaudited)**

1. NATURE AND CONTINUANCE OF OPERATIONS

Fortem Resources Inc. (the “Company”) was incorporated in the State of Nevada on July 9, 2004. The Company focuses its business efforts on the acquisition, exploration, and development of oil and gas properties.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As of May 31, 2020, the Company has not achieved profitable operations, has incurred losses in developing its business, and further losses are anticipated. The Company has an accumulated deficit of \$107,287,311.

The Company’s ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its obligations and pay its liabilities when they come due. To date, the Company has funded operations through the issuance of capital stock and debt. Management plans to continue raising additional funds through equity or debt financings and loans from directors. There is no certainty that further funding will be available as needed. These factors raise substantial doubt about the ability of the Company to continue operating as a going concern. The ability of the Company to continue its operations as a going concern is dependent upon its ability to raise sufficient new capital to fund its operating commitments and ongoing losses and ultimately on generating profitable operations. The consolidated financial statements do not include any adjustments to be recorded to assets or liabilities that might be necessary should the Company be unable to continue as a going concern.

In July 2019, the Company’s common shares ceased trading on the TSX Venture Exchange pursuant to a cease trade order (“CTO”) issued by the Alberta Securities Commission (“ASC”).

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, customers, economies, and financial markets globally, leading to an economic downturn. It has also disrupted the normal operations of many businesses, including ours. This outbreak could decrease spending, adversely affect and harm our business and results of operations. It is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our business or results of operations at this time.

The Company’s operations, financings, and assets have been negatively impacted by the CTO, falling oil prices and demand, the COVID-19 pandemic among other items.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Presentation**

The unaudited consolidated condensed interim financial statements of the Company have been prepared in accordance with United States Generally Accepted Accounting Principles (“GAAP”) for interim financial information and the rules and regulations of the Securities and Exchange Commission (“SEC”). They do not include all information and footnotes required by GAAP for complete financial statements. However, except as disclosed herein, there have been no material changes in the information disclosed in the notes to the financial statements from the year ended February 29, 2020 included in the Company’s Annual Report on Form 10-K filed with the SEC. The unaudited consolidated condensed interim financial statements should be read in conjunction with those financial statements included in the 10-K report. In the opinion of management, all adjustments considered necessary for fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the three months ended May 31, 2020 are not necessarily indicative of the results that may be expected for the year ending February 28, 2021.

Basis of Consolidation

These consolidated condensed interim financial statements include the accounts of the Company and its wholly owned subsidiaries, Colony Energy, LLC, (“Colony”) Black Dragon Energy, LLC, (“Black Dragon”) Rolling Rock Resources, LLC (“Rolling Rock”) and City of Gold, LLC (“City of Gold”). All significant intercompany accounts and transactions between the Company and its subsidiaries have been eliminated upon consolidation.

FORTEM RESOURCES INC.**NOTES TO CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS****For the three months ended May 31, 2020****(Expressed in US dollars - unaudited)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Basic and Diluted Loss per Share

Basic earnings or loss per share ("EPS") is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS is computed by dividing net income (loss) by the weighted-average of all potentially dilutive shares of the common stock that were outstanding during the years presented. There were 2,000,000 (February 29, 2020 - 2,000,000) potentially dilutive securities excluded from the calculation of diluted loss per share as their effect would be anti-dilutive.

The treasury stock method is used in calculating diluted EPS for potentially dilutive stock options and share purchase warrants, which assumes that any proceeds received from the exercise of in-the-money stock options and share purchase warrants, would be used to purchase common shares at the average market price for the period.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions. The Company bases its estimates and assumptions on current facts, historical experience and various other factors it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected. The most significant estimates with regard to these financial statements relate to carrying values of oil and gas properties, rights to acquisition, the assumptions used to record asset retirement obligations, the assumptions used to determine the fair value of derivative financial assets and liabilities, and valuation of share-based payments.

Recent Accounting Pronouncements

Recent accounting pronouncements issued by the Financial Accounting Standards Board ("FASB") (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants, and the SEC did not, or are not believed by management to, have a material impact on the Company's present or future financial position, results of operations or cash flows.

3. INVESTMENT AND RIGHTS IN ASIA PACIFIC MINING LTD.Investment

In April 2017, a binding financing and option agreement (the "Agreement") was assigned to the Company where the Company subscribed a total of 2,930,259 units in the capital of Asia Pacific Mining Limited ("Asia Pacific") at a total cost of \$1,500,000, which represents approximately 7.5% of the issued and outstanding shares of Asia Pacific immediately after the financing. Asia Pacific is a private company registered in Hong Kong and the principal activities of Asia Pacific are exploration and mining in Myanmar and investment holding. Each unit consisted of one common share and one share purchase warrant which will entitle the holder of each warrant to acquire an additional share of Asia Pacific at an exercise price of \$0.5119 per share during the term equal to the greater of two years from the closing of additional financing of Asia Pacific according to the terms of the Agreement or 18 months from the receipts of all necessary permits to carry out the exploration program. During the year ended February 29, 2020, the Company recorded a write off of \$1,500,000 for the investment in Asia Pacific.

Rights

The Company owns the right to an option agreement (the "Option") to purchase 100% of the ownership interest in a wholly owned subsidiary of Asia Pacific which, in turn, owns 100% of the rights to the City of Gold mineral exploration project located in Myanmar.

The Company will be granted the Option upon the Company completing a subscription of 2,930,261 units of Asia Pacific for a purchase price of \$1,500,000 (the "Final Funding Tranche"), due within 60 days of issuance of an exploration license for the City of Gold Project by the Government of Myanmar. The rights to the Option is valued at \$1.

FORTEM RESOURCES INC.**NOTES TO CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS****For the three months ended May 31, 2020****(Expressed in US dollars - unaudited)****3. INVESTMENT AND RIGHTS IN ASIA PACIFIC MINING LTD. (continued)**

Once it has exercised the Option, the Company may, at its discretion, require Asia Pacific to transfer the Project Subsidiary to another Canadian publicly listed company to be selected by the Company ("Acquisition Co.") (if the Project Subsidiary is not transferred to another Canadian publicly listed company, Acquisition Co. means the Company) for an exercise price consisting of \$7,000,000 in cash and thirty percent of the issued and outstanding share capital of Acquisition Co. (calculated on a fully diluted basis, excluding up to 10% in stock options, but including shares Acquisition Co. may have issued in order to raise the exercise price of \$7,000,000 and an additional \$5,000,000 in working capital). Half of the cash portion of the exercise price must be paid upon exercise of the Option; the balance is to be paid on the first anniversary of the exercise and is to be evidenced by a one-year secured term note. Although the Company has the right to select Acquisition Co., it must select a Canadian publicly listed company that meets certain criteria – at exercise of the Option, Acquisition Co. must have less than \$100,000 in liabilities and \$5,000,000 or more in working capital and Asia Pacific will have the right to nominate 30% of its directors.

4. EQUIPMENT

	Oil and gas equipment
	\$
Cost:	
At February 28, 2019, February 29, 2020, and May 31, 2020	71,284
Depreciation:	
At February 28, 2019	20,194
Charge for the year	3,564
At February 29, 2020	23,758
Charge for the period	891
At May 31, 2020	24,649
Net book value:	
At February 29, 2020	47,526
At May 31, 2020	46,635

5. OIL AND GAS PROPERTIES, FULL COST METHOD

	Canada		US		
	Compeer	Godin	Black Dragon	Rolling Rock	Total
	\$	\$	\$	\$	\$
Balance, February 28, 2019	720,060	60,373,011	39,260,344	40,528,157	140,881,572
Acquisition	-	-	50,000	50,000	100,000
Exploration	13,272	104,791	125,626	185,838	429,527
Write down	(350,104)	-	(23,361,726)	(40,763,994)	(64,475,824)
Balance, February 29, 2020	383,228	60,477,802	16,074,244	1	76,935,275
Exploration	10,148	23,447	26,177	23,506	83,278
Balance, May 31, 2020	393,376	60,501,249	16,100,421	23,507	77,018,553

FORTEM RESOURCES INC.**NOTES TO CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS****For the three months ended May 31, 2020****(Expressed in US dollars - unaudited)**

5. OIL AND GAS PROPERTIES, FULL COST METHOD (continued)Compeer Property

The Compeer Property is located in Alberta, Canada. The Company has \$42,514 (February 29, 2020 - \$43,517) in bonds held with the Alberta Energy Regulator for its oil and gas properties.

During the year ended February 29, 2020, the Company recorded a write down of \$350,104.

Godin Property

In April, 2017, the Company entered into and closed a petroleum, natural gas and general rights conveyance agreement to acquire a 100% interest in and to certain petroleum, natural gas and general rights, including Alberta Crown Petroleum and Oil Leases in the Godin area of Northern Alberta.

Pursuant to the agreement, the Company is required to pay \$150,000 upon the rig release of a second well drilled by the Company in the oil and gas assets described above. This amount will be recorded when the criteria has been met. If the Company fails to make timely payment of any of the milestone payments, and does not remedy such failure within 30 days of receipt of written notice from the vendor, the vendor may elect either of the following:

- a. Re-convey the assets to one of the project vendors; or
- b. Receive 250,000 common shares of the Company (subject to the availability of a registration exemption).

As at May 31, 2020, the Company is obligated to issue 2,000,000 common shares valued at \$3,600,000 to one of the vendors which holds rights in the Godin property. These shares are to be issued on each of the second and third anniversaries of the closing date. 1,000,000 shares due on each of the second and third anniversary cannot currently be issued due to the CTO issued to the Company (Note 1). The Company has not received a notice of default from the vendor. Included in the capitalized value of the property is a deferred tax liability of \$16,215,677.

Black Dragon Property

In April 2017, the Company entered into and closed a purchase and sale agreement (the "Black Dragon PSA"), subsequently amended, to acquire a 75% working interest in and to certain leases, hydrocarbons, wells, agreements, equipment, surface rights agreements and assignable permits at an 80% net revenue interest located in the Moenkopi formation of the Carbon and Emery Counties, Utah (the "Black Dragon Property"). In August 2017, May 2019, May 2020 and July 2020, the Company entered into an amendment to the Black Dragon PSA (the "Black Dragon Amendment"), which amended the terms of the Black Dragon PSA. Under the Black Dragon Amendment, the Company is required to pay the vendor cash consideration totaling \$3,900,000 (the "Black Dragon Cash Consideration") based upon the following schedule:

- \$100,000 as a non-refundable deposit within 10 business days of closing (paid);
- the balance of the Black Dragon Cash Consideration by payment to the vendor of an amount equal to 12.5% of any funds received by the Company from any equity, debt or convertible financing thereof (each, a "Financing") upon the closing of each Financing until such amount is paid. In addition: (a) the first \$1,500,000 raised by the Company will be exempt from a 12.5% payment to the vendor if such amount is received prior to the Company's listing on a stock exchange; and (b) the full Black Dragon Cash Consideration is required to be paid in full no later than November 1, 2020 regardless of the amount of funds paid in connection with one or more Financings.

In addition to revising the Black Dragon Cash Consideration as set out above, the Company has agreed to: (a) issue 250,000 common shares of the Company to the vendor on or prior to September 1, 2017 (issued at a value of \$625,000); and (b) pay the vendor an additional \$25,000 every sixty days commencing September 1, 2017 (\$300,000 incurred) until such time as the Black Dragon Cash Consideration is paid in full. Furthermore, as part of the May 2019 amendment, the Company is required to issue 300,000 shares of the Company to the vendor.

The Company has received an extension on the bi-monthly \$25,000 payment to November 1, 2020 and the Company is currently in negotiations to amend the terms of the acquisition.

FORTEM RESOURCES INC.**NOTES TO CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS****For the three months ended May 31, 2020****(Expressed in US dollars - unaudited)**

5. OIL AND GAS PROPERTIES, FULL COST METHOD (continued)Black Dragon Property (continued)

Within 10 business days after the later of the Company paying the Black Dragon Cash Consideration in full or the Company meeting in full its carry obligation, the vendor will convey to the Company an undivided 75% of the Vendor's right, title and interest in and to the assets, at an 80% Net Revenue Interest in the assets.

Carry Obligation

As per the terms of the Black Dragon PSA, and in addition to the Black Dragon Cash Consideration, the Company is required to pay all costs and expenses incurred on the assets with respect to any and all exploration, development and production during the carry period. The "Carry Period" continues until the later of either (i) the date that the Company pays the full Black Dragon Cash Consideration set out above or (ii) the date that the Company pays all costs and expenses for the drilling, logging, testing and completion of two new wells, each well with a horizontal leg extending at least 2,000 feet in the target zone within the Moenkopi formation (the "Two Obligation Wells"). The Company is required to drill to completion or cause to be drilled to completion (or plugging and abandonment) the Two Obligation Wells on or before November 1, 2020, failing which, the Company's right to earn any assignment in and to the assets will terminate immediately. For each vertical well drilled to 200 feet below the top of the Kaibab formation through completion (or plugging or abandonment) within a Federal Unit, the obligation deadline will be amended to the later of (i) the current obligation deadline or (ii) 6 months from the date the rig that drilled such vertical well to total depth has been removed from the wellsite

During the year ended February 29, 2020, the Company recorded a write down of \$23,361,726.

Rolling Rock Property

In April 2017, the Company entered into and closed a purchase and sale agreement (the "Rolling Rock PSA"), subsequently amended, to acquire a 75% working interest in and to certain leases, hydrocarbons, wells, agreements, equipment, surface rights agreements and assignable permits at an 80% net revenue interest located in the Mancos formation in the Southern Uinta Basin, Utah (the "Rolling Rock Property"). In August 2017, May 2019, May 2020 and July 2020, the Company entered into an amendment to the Rolling Rock PSA (the "Rolling Rock Amendment"), which amended the terms of the Rolling Rock PSA. Under the Rolling Rock Amendment, the Company is required to pay the vendor cash consideration totaling \$5,400,000 (the "Rolling Rock Cash Consideration") based upon the following schedule:

- \$100,000 as a non-refundable deposit within 10 business days of closing (paid);
- the balance of the Rolling Rock Cash Consideration by cash payment to the vendor of an amount equal to 12.5% of any funds received by the Company from any Financing upon the closing of each Financing until such amount is paid. In addition: (a) the first \$1,500,000 raised by the Company will be exempt from a 12.5% payment to the vendor if such amount is received prior to the Company's listing on a stock exchange; and (b) the full Rolling Rock Cash Consideration is required to be paid in full no later than November 1, 2020 regardless of the amount of funds paid in connection with one or more Financings; and
- after payment of the Rolling Rock Cash Consideration, an additional payment of \$300,000 (the "Workover Funds") to the vendor which is payable by an amount equal to 12.5% of any funds received by the Company from any Financing until the Workover Funds are paid in full.

In addition to revising the Rolling Rock Cash Consideration as set out above, the Company has agreed to: (a) cause the Company to issue 250,000 common shares of the Company to the vendor on or prior to September 1, 2017 (issued at a value of \$625,000); and (b) pay the vendor an additional \$25,000 every sixty days commencing September 1, 2017 (\$300,000 incurred) until such time as the Rolling Rock Cash Consideration and the Workover Funds are paid in full. Furthermore, as part of the May 2019 amendment, the Company is required to issue 300,000 shares of the Company to the vendor.

The Company has received an extension on the bi-monthly \$25,000 payment to November 1, 2020 and the Company is currently in negotiations to amend the terms of the acquisition.

FORTEM RESOURCES INC.**NOTES TO CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS****For the three months ended May 31, 2020****(Expressed in US dollars - unaudited)****5. OIL AND GAS PROPERTIES, FULL COST METHOD (continued)**Rolling Rock Property (continued)

Within 10 business days after the later of the Company paying the Rolling Rock Cash Consideration in full or the Company meeting in full its carry obligation, the vendor agrees to convey to the Company an undivided 75% of the vendor's right, title and interest in and to the Leases, or a 80% net revenue interest in the Leases. Notwithstanding this transfer, within 10 business days after the later of payment of \$300,000 on or before November 1, 2020 (which amount is in addition to the deposit and included in the Rolling Rock Cash Consideration set out above) and the replacement of the vendor's bonds (completed), the vendor agrees to convey to the Company an undivided 25% of the vendor's right, title and interest in and to the Cisco Dome leases and related assets. However, if the Company fails to timely meet any of its obligations under the Rolling Rock PSA, after having taken assignment of the Cisco Dome leases and assets, then, if the vendor elects in its sole discretion, the Company is required to reassign the Cisco Dome leases and assets to the vendor without any additional encumbrances.

Carry Obligation

As per the terms of the Rolling Rock PSA, and in addition to the Rolling Rock Cash Consideration, the Company is required to pay all costs and expenses incurred on the Leases with respect to any and all exploration, development and production during the carry period. The "Carry Period" continues until the later of either (i) the date that the Company pays the full Rolling Rock Cash Consideration set out above or (ii) the date that the Company pays all costs and expenses for the drilling, logging, testing and completion of three new wells in each of the three Federal Units, each well with a horizontal leg extending at least 1,000 feet in the target zone within the Mancos formation (the "Three Obligation Wells"). The Company is required to drill to completion or cause to be drilled to completion (or plugging and abandonment) the Three Obligation Wells on or before November 1, 2020, failing which, the Company's right to earn any assignment in and to the Leases will terminate immediately. For each vertical well drilled to the top of the Dakota formation through completion (or plugging or abandonment) within a Federal Unit, the obligation deadline will be amended to the later of (i) the current obligation deadline or (ii) 6 months from the date the rig that drilled such vertical well to total depth has been removed from the wellsite.

The obligation well in the Grand Mancos Unit will be a vertical well drilled to a depth sufficient to test the Granite Walsh formation within such Federal Unit. For this well, completion (or plugging and abandonment) is expected to take place no later than 2 months after the rig that drilled to total depth has been removed from the wellsite and for a period of 6 months after completion of this obligation well (or plugging and abandonment), and the Company will have the exclusive option to purchase an additional 25% of the vendor's right, title and interest in and to the leases with respect to the Granite Walsh formation within the boundary of the Grand Mancos Unit for an additional payment of \$10,000,000.

During the year ended February 29, 2020, the Company recorded a write down of \$40,763,994.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	May 31, 2020	February 29, 2020
	\$	\$
Accounts payable	1,692,926	1,563,102
Accrued liabilities	144,607	121,799
	1,837,533	1,684,901

During the year ended February 29, 2020, the Company entered into a settlement and release agreement to settle certain balances owing to a vendor of the Company. As a result, the Company recorded a gain on settlement of debt of \$27,227.

FORTEM RESOURCES INC.**NOTES TO CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS****For the three months ended May 31, 2020****(Expressed in US dollars - unaudited)****7. RELATED PARTY TRANSACTIONS**

Due to/from related parties consist of the following:

	<u>May 31, 2020</u>	<u>February 29, 2020</u>
	\$	\$
Due from a company controlled by a director	21,419	48,392
Due to directors and officers of the Company	159,305	113,094

As at May 31, 2020, the Company has an accrued interest balance of \$57,261 (February 29, 2020 - \$57,261) in note obligations owing to a company with a common director.

Amounts due to/from related parties are unsecured with no specific terms of repayment.

8. NOTES PAYABLE

As at May 31, 2020, the Company had \$1,996,651 (February 29, 2020 - \$1,466,289) in short term notes obligations due to various third parties. A note payable of \$19,942 is unsecured, non-interest bearing and payable upon demand. The remaining balance of the notes payable are unsecured, bearing interest of 10% per annum and due from August 2020 to May 2021.

9. LONG TERM NOTES PAYABLE

As at May 31, 2020, the Company had \$112,683 (February 29, 2020 - \$532,319) in long term notes obligations due to various third parties. The notes payable are unsecured, bearing interest of 10% per annum and due from July to October 2021.

10. ASSET RETIREMENT OBLIGATION

The Company's asset retirement obligation relates to the Compeer Property. The asset retirement obligation was estimated based on the Company's understanding of its requirements to reclaim currently disturbed areas. Significant reclamation and closure activities include land rehabilitation, water, removal of building and well facilities and tailings reclamation. The undiscounted estimate of this liability was \$36,265 (February 29, 2020 - \$37,235) reflecting payments commencing in 2024. This estimate was adjusted for an inflation rate of 2.00% and then discounted at a rate of 10.00% for a net present value of \$32,255 (February 29, 2020 - \$32,310) as at May 31, 2020.

	\$
Balance, February 28, 2019	29,272
Foreign exchange adjustment	63
Accretion expense	2,975
Balance, February 29, 2020	32,310
Foreign exchange adjustment	(831)
Accretion expense	776
Balance, May 31, 2020	32,255

FORTEM RESOURCES INC.**NOTES TO CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS****For the three months ended May 31, 2020****(Expressed in US dollars - unaudited)**

11. SHARE CAPITAL

The Company issued common shares as follows:

In March 2019, the Company issued 500,000 shares in relation to the exercise of 500,000 warrants for total proceeds of \$200,000.

The Company paid a total of \$14,000 in finder's fees in connection with the equity financing.

Escrow Shares

As at May 31, 2020, the Company has 18,103,500 shares in escrow

Warrants

As at May 31, 2020 and February 29, 2020, there were no warrants outstanding.

Stock Options

The Company's Stock Option Plan allows a maximum 9,777,115 shares to be reserved for issuance under the plan. Options granted under the plan may not have a term exceeding 10 years and vesting provisions are at the discretion of the Board of Directors.

Below is a summary of the share option transactions:

	Number of Outstanding and Exercisable Options	Weighted Average Exercise Price per Options
	<u> </u>	<u> </u>
		\$
Outstanding at February 28, 2019, February 29, 2020, and May 31, 2020	<u>2,000,000</u>	0.10

A summary of the stock options outstanding and exercisable at May 31, 2020 is as follows:

Exercise Price	Number Outstanding and Exercisable	Expiry Date	Aggregate Intrinsic Value
<u> </u>	<u> </u>	<u> </u>	<u> </u>
\$			\$
0.10	2,000,000	November 3, 2020	780,000

As at May 31, 2020, the remaining contractual life of the stock options outstanding was 0.43 years.

The aggregate intrinsic value in the preceding table represents the total intrinsic value, based on the Company's closing OTC stock price of \$0.49 per share as of May 31, 2020.

FORTEM RESOURCES INC.**NOTES TO CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS****For the three months ended May 31, 2020****(Expressed in US dollars - unaudited)****12. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT**

The estimated fair values for financial instruments are determined based on relevant market information. These estimates involve uncertainties and cannot be determined with precision. The estimated fair value of cash, receivables, deposit, due from related parties, accounts payable and accrued liabilities, due to related parties, related party loan payable and notes payable approximate their carrying value due to the short-term nature of those instruments.

ASC 820 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable; and

Level 3 – Unobservable inputs that are supported by little or no market activity, therefor requiring an entity to develop its own assumptions about the assumption that market participants would use in pricing.

13. SEGMENTED INFORMATION

The Company has one operating segment, being the acquisition and exploration of oil and gas properties. Geographic information is as follows:

	As at May 31, 2020		
	Canada	US	Total
	\$	\$	\$
Deposit	42,514	-	42,514
Equipment	46,635	-	46,635
Oil and gas properties, full cost method	60,894,625	16,123,928	77,018,553
	60,983,774	16,123,928	77,107,702

	As at February 29, 2020		
	Canada	US	Total
	\$	\$	\$
Deposit	43,517	-	43,517
Property and equipment	47,526	-	47,526
Oil and gas properties, full cost method	60,861,030	16,074,245	76,935,275
	60,952,073	16,074,245	77,026,318

14. CONTINGENCIES

In April 2019, a complaint was filed against the Company for intentional interference with contractual relationship, wrongful interference with prospective economic advantage, inducement of breach of contract and aiding and abetting breach of fiduciary duty by the Company through the wrongful actions of its director and chief executive officer and its director and chief operating officer. The Company's counsel has applied to the Court seeking dismissal of the Action, which application is pending. Management believes the likelihood of an unfavorable judgment against the Company is low; as such, no amounts have been recorded as at May 31, 2020.